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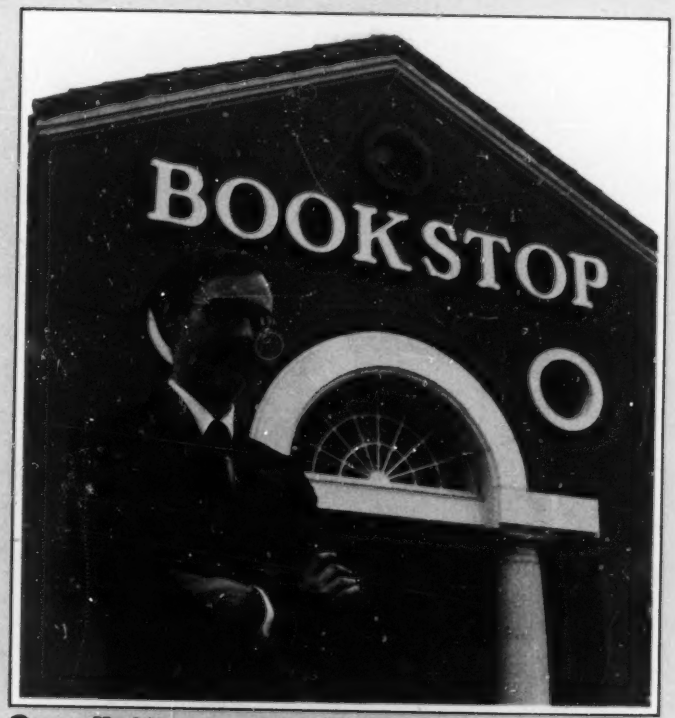
SPECIAL REPORT

Chain Store Age

GENERAL MERCHANDISE TRENDS DECEMBER 1987

CATEGORY KILLERS



Gary E. Hoover Chairman/CEO BOOKSTOP

They dominate competition through giant selection and low prices

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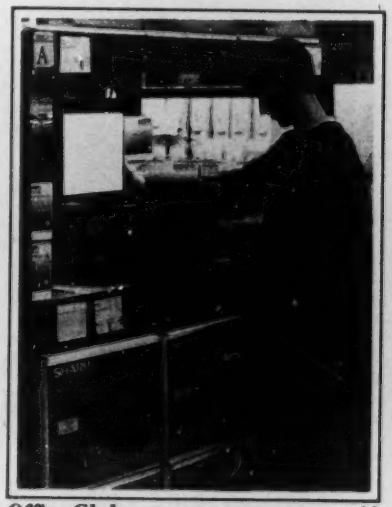

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Scandinavian by design, U.S. owned

First came Haagen-Dazs. The came Frusen Gladje as an example of trying to capitalize on a Scandinavian sounding name to sell an American company's product.

Now comes STOR, a U.S. specialty home furnishings retailer that has seen the wisdom of IKEA, a real-life Swedish company, and decided that contemporary lifestyle merchandise requires a Scandinavian nameplate.

STOR opened its first 150,000-sq.-ft. unit in late October in City of Industry, Calif. The flagship included the seemingly prerequisite "ballroom" for children and displays that simulate quality tests of chairs and other furnishings.

STOR's mix will be 50% European sourced merchandise, 45% North American, and 5% Asian, says Knell. The self-service store, with staff housed behind information desks and no salespeople on the floor, displays merchandise in more than 70 complete room vignettes.

With ready to assemble furniture capturing just a 3%-5% market share of all U.S. furniture sales, chairman Harvey G. Knell is optimistic that STOR can expand to 30 locations in the Far West, mainly southern California.

Gold jewelry prices will remain steady

Good news for gold jewelry fanciers across the country!

Despite rising price of the precious metal, retailers of gold jewelry say they will not raise prices this Christmas season.

In addition to holding the line on price, most retailers covered in a survey by the World Council Inc., New York, say they plan no cutbacks in either advertising or inventory in light of current economic uncertainty. Some even raise the possibility of more aggressive advertising than previously planned.

The ads will continue to deliver the traditional message about the long-standing enjoyment and sentiments of gold as a gift.

Meanwhile, the World Gold Council has launched a fourth-quarter network television ad campaign. The 30-second generic commercials boosting gold jewelry will continue until just before Christmas.

Women like fitness, men team sports

A study of 75,000 Americans from the National Sporting Goods Association confirms what retailers know from experience: women usually prefer fitness activities and men team sports.

Women constitute at least two-thirds of all participants in several activities, namely aerobic exercise (87%), gymnastics (71%) and exercise walking (65%), according to the study.

So, how important is that? Very. Though gymnastics attracts just 4.8 million regular participants, aerobics draws nearly 22 million and exercise walking 53.5 million people.

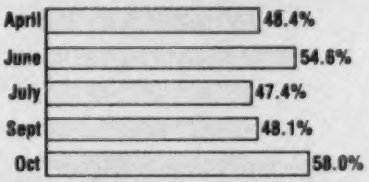
More than 50% of all participants are women in ice/figure skating, calisthenics, cross country skiing, swimming, bicycle riding and exercising with equipment.

Volleyball is the sole team sport managing to draw more women than men.

The survey defines participants in team sports as anyone 7 years old or more who plays a sport more than once a year.

Warehouse clubs expand coverage

More consumers report warehouse clubs in their area



Source: *Chain Store Age*/Leo J. Shapiro & Associates

Warehouse clubs are extending their reach. About 3 in 5 families now report that there is a membership warehouse club in their local area. According to an exclusive *Chain Store Age*/Leo J. Shapiro & Associates nationwide survey, the number of families that say there is a nearby warehouse club (58%) is the highest reading in the last seven months. Twenty-eight percent of the survey families say that they have shopped at a membership warehouse within the past year.

Sam's Wholesale Club, Wal-Mart's entry, is the best known of the new format's operators. Of those who actually have shopped at a warehouse club in the last year, more families (25%) name Sam's than any other. Next-best shopped is San Diego-based Price Club (13%), followed by Pace (11%) and Costco (8%).

The results are part of a continuing *Chain Store Age*/Shapiro study of warehouse clubs begun in April. To date, information from 2,254 telephone interviews has been compiled in the results.

Sales barely affected by Wall Street crash

Did the October 19 stock market crash soften sales results for the nation's biggest retailers? Probably not, say most. The 18 retail companies tracked by *Chain Store Age* rang up a 10.8% sales increase in October.

For the fiscal year's now completed first three quarters, revenues are up 10.2% compared to last year.

Michael Bozic, chairman/ceo of Sears Merchandise Group, echoing the experience of many, said October "closed on a strong note after a softening in sales during the week of October 19."

Commenting on the short term outlook, Bozic said, "In view of record employment and increasing disposable income, we expect a good Christmas season for consumers and the general merchandise industry."

After the Black Monday stock market crash, many industry analysts were predicting that sales of big ticket items, in particular, would suffer. However, the softening of big ticket sales never appeared.

Instead, any fallout from the crash will probably take longer before it becomes apparent. Over 80% of U. S. households do not directly own any stock at all. The market's downturn might still seem a distant and somewhat irrelevant event to them.

A flurry of October promotions, meanwhile, is probably the reason behind what turned out to be a month that hit sales targets for most retailers. Profit goals might not have been achieved, however, and third quarter results could suffer.

For Sears, the nation's largest retailer, October sales and charge revenues dipped 1.3%. But the dip was due largely to a drop in charge revenues which offset modest sales gains.

J. C. Penney outpaced its fellow cataloger, ringing up a 9.1% sales jump. Same-store results were up 8.3% for the month and 4.6% for the first three quarters. Penney chairman William R. Howell credited better than average demand for family apparel, especially outerwear and sportswear, and for bedding and bath merchandise.

K mart posted a 6.7% sales uptick in October, below its 7.8% year-to-date performance. Comparable-store results were ahead 3.7% for the month. Nonetheless, chairman Joseph E. Antonini characterized the month's performance as unaffected by the stock market meltdown.

"Our business in late October, as well as for the month as a whole," Antonini said, "closely tracked our sales pattern of the last few months. This suggests that our broad customer base has been relatively unaffected by the sharp decline in equity values."

Federated Department Stores chairman Howard Goldfeder, meanwhile, blamed lower than expected sales on the stock market slump. Goldfeder said sales were particularly weak in the fourth week of the month, "possibly reflecting some consumer uncertainty associated with volatility in financial markets."

Sales for Federated's department store divisions gained only 1.7% in October, compared to a 4.9% pace in the first nine months. Its discount stores posted a 3.1% increase for the month, ahead of their 2% uptick for the year to date.

Discounter Wal-Mart ended the month on a strong note, with sales up 40% compared to year-ago totals. Comparable-store sales gained 14% in October and are up 12% for the nine months.

Promotions boost October sales

Major chains	% change	October sales* 1987	October sales* 1986	Stores 1987	Stores 1986	9-mo. sales* 1987	9-mo. sales* 1986	% change
Sears[1,2]	– 1.3	$ 2,018,167	$2,044,667	814	802	$18,996,559	$18,480,478	+ 2.8
Penney[2]	+ 9.1	1,079,000	989,000	1,837	1,880	9,324,000	8,863,000	+ 5.2
Ward	+ 4.0	344,100	330,900	306	293	3,141,000	2,937,000	+ 7.0
May Dept. Stores	+ 6.8	761,600	713,100	2,893	2,705	7,072,100	6,498,800	+ 8.8
Dayton Hudson	+ 18.9	809,700	680,800	560	418	6,800,000	6,000,000	+ 14.3
Federated[3]	+ 2.5	672,200	656,100	532	500	6,020,400	5,718,900	+ 5.3
Carter Hawley Hale	– 2.7	192,400	197,800	112	112	1,775,000	1,699,000	+ 4.5
Mercantile	+ 6.4	158,982	149,459	79	82	1,446,467	1,359,577	+ 6.4
Carson Pirie Scott[4]	+ 14.4	70,400	61,552	N/A	N/A	603,300 5	24,582	+ 15.0
K mart[1,5]	+ 6.2	1,775,000	1,671,000	2,207	2,189	17,110,000	15,907,000	+ 7.6
Wal-Mart	+ 39.8	1,444,000	1,033,000	1,182	997	10,959,000	8,064,000	+ 35.9
Zayre	+ 17.3	511,700	436,100	1,161	1,075	4,301,000	3,638,000	+ 18.2
Woolworth[2]	+ 9.5	295,000	269,000	N/A	N/A	2,912,000	2,700,000	+ 7.9
Ames	+ 7.9	159,300	147,700	482	458	1,439,000	1,281,000	+ 12.3
Bradlees	+ 7.2	164,000	153,000	171	158	1,354,000	1,228,000	+ 10.3
Tandy[2]	+ 15.4	278,482	241,451	N/A	N/A	2,120,118	1,903,036	+ 11.4
Circuit City	+ 40.3	109,300	77,900	97	84	809,100	590,900	+ 36.9
Best Buy	+ 104.1	34,700	17,000	37	18	251,200	119,454	+ 110.3
Totals & Averages	+ 10.8	$10,938,031	$9,869,529	—	—	$96,434,244	$87,528,808	+ 10.2

*000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Domestic operations only. [3]Excludes supermarket sales. [4]Retail division only. [5]Continuing operations only. [6]Store number for K mart stores only.

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